

**Commission Meeting Minutes
September 9, 2015
5 Middlesex Avenue, Somerville**

Chairman Brown called the meeting to order at 10:45 AM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, John Langan, and Gerald McDonough. Commissioners James Machado and Robert McCarthy participated remotely pursuant to 940 CMR 29.10 due to physical location and personal injury respectively and all votes during this meeting will be done by roll call vote.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel/Deputy Director John Parsons, Deputy General Counsel/Managing Attorney Judith Corrigan, Actuary James Lamenza, Director of Strategic Planning Mike DeVito, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Compliance Analyst Cheryl Johnson, Director of Administrative Services Caroline Carcia, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Tom Gibson from the Middlesex and Belmont Retirement Boards, Lisa Maloney from the Middlesex Retirement Board, Kathleen Kiely-Becchetti and John Brown representing MACRS, Katie McCue representing MMA and Frank Valeri and Shawn Duhamel representing the Massachusetts Retirees Association.

Commissioner McDonough made a motion to adopt the Commission meeting minutes from August 12, 2015. Commissioner Fontaine seconded the motion. A roll call vote was taken and the result was as follows: Chairman Philip Brown YES, Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, John Langan YES, James Machado YES, and Robert McCarthy YES. The minutes were unanimously adopted.

Actuarial Update

Mr. Lamenza discussed a chart outlining systems with Funded Ratios in Excess of 95% since January 1, 2000 and Comparison to Most Recent Valuation as requested by the Commission. He stated that there are three separate events that have occurred since 2000 that impact the results: the market pull back of 2000-2002, the market crash of 2008, and the actual assumption changes, specifically reduction in the investment return assumption. Mr. Lamenza gave several examples of why a system's funded ratio changed significantly.

Legal Update

Ms. Corrigan updated the Commission about the *Michael McLaughlin v. Chelsea Retirement Board*, CR-11-731, *Chelsea Housing Authority v. Chelsea Retirement Board*, CR-14-206, and the *Michael McLaughlin and Chelsea Retirement Board v. PERAC*, CR-14-357 cases.

Mr. Moitoso explained the *Haas v. Revere Retirement Board & PERAC*, case CR-09-354 and 09-477, and *Grimes v. Malden Retirement Board & PERAC*, CR-15-5.

Legislative Update

Mr. DeVito reported on Outside Section 55 of the FY'16 Budget, related to increasing the required time between procurements for Private Equity follow-on investments and real estate. He explained that the Governor vetoed Section 55 and now the legislature can override the veto by a 2/3's vote of each branch in full formal session. He then reported that no hearing has been scheduled for H. 17, PERAC's bill which would authorize the Commission to hold hearings in Section 15(7) matters, and that H. 3566, PERAC's Concurrent Beneficiaries legislation was heard by the Joint Committee on Public Service on July 21, 2015. He finally reported that a hearing was held on September 8, 2015 pertaining to Health Care and OPEB legislation.

Audit Update

Mr. Parsons reported that Mr. Chadwick is on vacation. Therefore Mr. Parsons provided the Audit update this month. He stated that the Audit staff is currently auditing the Andover, Belmont, Brockton, and Holyoke Retirement Boards. He then stated that the Quincy and Teachers' Retirement Board audits have been posted on the PERAC Web Page and explained the respective findings.

Compliance Update

Mr. Moitoso reported that there are several vendors that have not filed their Disclosure Forms. He stated that the vendors have been notified several times and are aware that at this meeting debarment would be discussed. The vendors are DN Partners, Ascend Venture Group and Preferred Investors which do currently represent some Massachusetts Public Systems.

Mr. O'Donnell stated that the investments are zombie funds and Bristol County and Plymouth invest approximately \$1.4 Million with DN Partners.

Mr. Martin reported the values and boards that are affiliated with each carry on fund in each firm. He stated that just last week the list of outstanding vendors was much larger. The vendors currently outstanding are not active. Mr. Martin then explained each step in the statute for debarment, which does not require the systems to divest.

Commissioner McDonough made a motion to suspend DN Partners, Ascend Venture Group and Preferred Investors for failure to make the required vendor disclosures. Commissioner Fontaine seconded the motion. A roll call vote was taken and the result was as follows: Chairman Philip Brown YES, Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, John Langan YES, James Machado YES, and Robert McCarthy YES. The motion was unanimously adopted.

Executive Director's Report

Mr. Connarton introduced Ms. Kathleen Kiely-Becchetti, the new MACRS President. He then reported that Mr. Mike Beaudet, reporter from Fox 25, is retiring from the news station and going to academia. Mr. Beaudet visited PERAC yesterday following up on a disability retiree, Mr. Lovell, and a video of him which was posted on the internet posing in a body building competition. Mr. Lovell has been retired and in our database for a few years and has been medically reviewed regularly. Based on Mr. Beaudet's prior story we arranged a complete physical examination, the doctor reviewed his medical records, job description at the time of retirement and his current medical treatment. The physician determined that Mr. Lovell is unable to return to his position as a Corrections Officer. The video that Mr. Lovell posted on the internet does not comport to the medical information that is housed in our database. Mr. Connarton stated that as far as the public is concerned this does not look good and gives the appearance the system is not working.

Mr. Connarton stated that over 300 individuals have registered for the Emerging Issues Forum at Holy Cross and believes this will be another successful year.

Mr. Connarton explained that PERAC continues to monitor the Hull Retirement board member appointment. Mr. Lemnios, the Town Manager of Hull, continues to attend all of the retirement board meetings but he does not vote on board matters. We are awaiting information on a new board member and will keep the Commission updated.

Mr. Connarton reported that PERAC has suspended consideration of any investment related submissions for the Boston and Norfolk County Retirement Boards for failure to submit cash books, trial balances, and journal entries for any month within 2015. He then stated that there is an issue in Belmont and he would be visiting that Board on Friday.

Mr. Connarton stated that there are four (4) public hearings scheduled to discuss the proposed regulations regarding Disability Retirement and Election Regulation changes. Public comments will be accepted through October 9, 2015.

Mr. Connarton stated that a letter was recently received from the Stoneham Retirement Board (with a copy sent to Governor Baker) as it pertains to SEI Investment Management Corporation. In the past, during several prior Commission meetings, SEI reported that they could comply with the statute for investments. In recent correspondence SEI is currently unable to comply, therefore, PERAC is holding the acknowledgement as it is in the best interest of the systems.

Mr. Martin reported that there are several issues under review concerning SEI. He would like to present a more comprehensive package to the Commission in October. He further stated that although SEI has filed their vendor disclosure statements, the responses are inadequate. There is outstanding information with the Brockton, Natick, and Chicopee Retirement Boards who also have SEI as their investment manager.

Mr. Connarton discussed an anonymous letter PERAC received regarding Mr. Louis Pacheco, Chief of Staff for the Mayor of Fall River. Mr. Pacheco is a retiree and the anonymous letter

alleged that he is earning more money and working more hours than he is entitled to as a retiree. Mr. Connarton has reached out to the retirement system and to Mr. Pacheco about the earning limitations and has discovered that it would appear Mr. Pacheco is in compliance with G.L c. 32, §91(b) as to his earning limitations.

Other Business

Mr. Connarton reported that the October 14, 2015 Commission meeting will be held at the Sturbridge Host Hotel, 366 Main Street, Abington Room, Sturbridge, MA.

Commissioner Fontaine made a motion to adjourn the meeting. Commissioner Langan seconded the motion. A roll call vote was taken and the result was as follows: Chairman Philip Brown YES, Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, John Langan YES, James Machado YES, and Robert McCarthy YES. The motion was unanimously adopted. The Commission meeting adjourned at 11:58 PM.

Commission Meeting Documents

Commission Agenda for the meeting of September 9, 2015

Commission Minutes for August 12, 2015

Actuarial Update

Funded Ratios in Excess of 95% since January 1, 2000 and Comparison to Most Recent Valuation Chart

Legal Update

Michael McLaughlin v. Chelsea Retirement Board, CR-11-731, *Chelsea Housing Authority v. Chelsea Retirement Board*, CR-14-206, *Michael McLaughlin and Chelsea Retirement Board v. PERAC*, CR-14-357, *Haas v. Revere Retirement Board & PERAC*, CR-09-354 and 09-477 and *Grimes v. Malden Retirement Board & PERAC*, CR-15-5

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audits

Compliance Update

E-mail from PERAC to vendors regarding debarment

Executive Director's Report

Updated Staff Activities Memo

Emerging Issues Forum Agenda

Letter from PERAC to Hull Retirement Board regarding its appointed member

Letter from PERAC to the Boston Retirement Board regarding investment suspension

Letter from PERAC to the Norfolk County Retirement Board regarding investment suspension

PERAC memo regarding Regulation Hearings – 840 CMR 7.00 and 10.00

Other Documents Included in Package

Correspondence regarding Mr. Louis Pacheco, Chief of Staff for Mayor of Fall River

Publication from **Manhattan Institute** entitled *Defined-Contribution Pensions are Cost-Effective*

Article from the **National Institute of Retirement** entitled *Manhattan Institute Research Highly Flawed*

White page from Ralph Martire, Executive Director from the **Center for Tax and Budget Accountability** entitled *The truth about defined-contribution retirement plans in the public sector*

Other Documents Distributed at Meeting

Letter from PERAC to Attorney Brian Monahan regarding Chelsea Retirement System

Letter from PERAC to Norfolk County Retirement Board lifting the investment suspension

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission